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Press Release

RESIDENTS' COMMITTEE SAYS COUNTY SHORTCHANGES TAKOMA PARK BY NEARLY \$5 MILLION A YEAR IN REBATES - Extensive Review Exposes Skewed Rebate System

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TAKOMA PARK, Md., April 25, 2005 - Rebates paid to Takoma Park by Montgomery County in compensation for services provided by the city that would otherwise be provided by the county are at least \$1.1 million and perhaps up to \$4.8 million less a year than they should be, according to a final report submitted to the Takoma Park City Council tonight by the Residents' Committee on Tax and Duplication Services.

Tax and service duplication, commonly known as "double taxation", exists when both a county and a city within the county charge the city's taxpayers for the same kinds of services, but taxpayers ultimately receive those services only from the city. Maryland law authorizes the county's return to the city of taxes the county received from city residents for duplicated services, either as a rebate paid to the city or as a tax differential that lowers the county tax rate for the city's taxpayers. Montgomery County has chosen the rebate method.

"In FY05 Montgomery County rebated to the City of Takoma Park a total of \$3 million for police, road maintenance and park maintenance services that the city provided in lieu of the county," the Committee concluded in its report, adding that "the County's rebate to the city was significantly less than the city's actual costs for delivering these and other duplicative services, and far less than the amount the county would likely spend if the city elected not to provide those services."

The Residents' Committee was comprised of 21 individuals appointed by City Council

members and the mayor in mid-October 2004 to examine the costs of services provided by the city that are duplicative of those provided elsewhere by the county and are funded through both county and city taxes. City residents Bruce Moyer and Dan Robinson served as co-chairs. The committee was charged, among other things, to recommend actions the city could take to obtain a fairer tax duplication payment from Montgomery County, and to decrease the level of tax duplication paid by city property owners.

The committee conducted 13 meetings between November 11, 2004 and April 19, 2005. It subdivided into subcommittees to examine each major portion of the city's budget, with special emphasis on programs for which the city receives county rebates. The city's fiscal year 2005 revenues total approximately \$14 million, of which \$3 million were rebates from the County. According to the Committee's calculations, a more accurate rebate would be at least \$4.1 million and possibly as high as \$7.8 million, substantially more than the approximate \$3 million the city received from the county in fiscal year 2005.

"Part of the gap exists because the County fails to take into account its own administrative and capital costs," the report said. "The Committee found additional methodological flaws in the County's rebate formulas that also result in an underpayment. The Committee recommends that the City Council negotiate with the County to correct these defects and calculate a rebate that delivers Takoma Park taxpayers full and accurate relief from double taxation."

The committee concluded the ultimate flaw in the system was attributable to the one-sided nature of the negotiations about what an appropriate rebate should be. The county has final say in such determinations and the city has no appeal. "The Committee additionally urges the City Council, in league with other Maryland municipalities, to seek reform that provides municipalities the opportunity to challenge through judicial review or arbitration the accuracy and comprehensiveness of county rebates, reforming the current situation in which the county is the ultimate authority."

The committee also concluded that the current arrangement for the County's "passback" to the city of income tax payments by Takoma Park residents, currently set at 17 percent, is inadequate and unfair to municipalities that provide high service levels and serve relatively less affluent populations. "The committee recommends that the City Council pursue reform of the current income tax pass-back framework to mitigate these inequities," the report said. "This

could involve a change in the pass-back formula, realigning the pass-back to reflect the relationship between the city's tax rate and the countywide property tax rate, or an increase in the percentage underlying the pass-back itself.”

Committee co-chair Bruce Moyer said the Residents’ Committee were “rank and file citizens who had invested a tremendous amount of thought and analysis” in the project, and that the Committee’s report “will provide a useful guide to the City Council as it makes its budget determinations in the future. This is a very complex issue, and to the best of our knowledge, this is the most in-depth analysis of how the system works – and doesn’t work.”

Co-chair Dan Robinson added, "After much study, we came to realize that Takoma Park citizens in their taxes are paying the county beyond what is required. This amounts to an unintended subsidy to the county for its operations.” Noting the significance of the Committee’s work, Robinson said “Our Committee’s report should be required reading for all residents of Takoma Park who are concerned about our fiscal situation, and the future of our city.”

Background information on the Committee is posted on the City of Takoma Park’s website at: <http://207.176.67.2/admin/tax>. The complete report may be viewed at: <http://207.176.67.2/admin/tax/document/TASDIFin.pdf>

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